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Trade Policy Monitoring

WTO rejects EU banana tariff

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Report Highlights:

A WTO arbitration body ruled that the Commission's proposal for a common import tariff for bananas of €230 per tone would not open up market access for producers in third countries. Trade restrictions currently in place favor Africa and the Caribbean (ACP) countries over Latin America, due to the Free Trade Agreement ACP countries have with the EU.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E3]

A WTO arbitration body ruled that the Commission's proposal for a common import tariff for bananas of €230 per tone would not open up market access for producers in third countries.

On January 31, 2005, the European Commission formally notified the WTO of its proposed tariff-only system for imports of bananas. The Commission claimed the EU calculated the MFN import duty for bananas in a neutral and transparent manner. European Commission had employed the methodology that was used in the Uruguay Round negotiations to convert non-tariff measures to tariff equivalents. But the WTO questioned the validity of the prices used by the Commission, concluding that the data used did not reflect "actual internal prices". The EU had gleaned its figures from the FAO, which admitted that its numbers were "price quotations announced by traders at the ports of entry and probably not the prices paid by purchasers of bananas at the end of the transaction". It was not the arbitrator's task to determine any specific tariff level or methodology through which this figure might be accurately obtained.

The current EU banana import system is a blend of tariff and quotas, which favor Africa and the Caribbean (ACP) countries over Latin America; due to the Free Trade Agreement ACP countries have with the EU, mainly former European colonies. ACP countries called for a minimum of 275 €/tone to safeguard their preference duty-free access from the more competitive Latin American farms, considering that a lower tariff would threaten their farming system. On the other side, Latin American countries wouldn't accept more than 75 €/tone, which is what they are currently paying under quota restrictions.

In 2001 the Commission agreed to replace its current complex quota and tariff system before January 1, 2006 to stop the "banana war", after WTO ruled the EU system was discriminatory. As a result, it must get approval for a new proposal from the European Council by November. The Commission said it would study the report and take the necessary steps to open a fresh round of talks with the countries concerned, and it awaits "constructive commitments" so that a new proposal may be submitted within in ten days.

If no solution is found between the EU and the producer countries of Latin America that filed the complaint with the WTO, parties would be entitled to ask the panel for a second opinion. The arbitration would then be concluded within thirty days. In that case, the Commission expects that second opinion would give a clear direction with a view to a new proposal and an arrangement. Diplomats fear the banana row could rumble on until the end of the year, when the agreement on lowering barriers must be achieved.

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